

Before the
FEDERAL COMMUNICATIONS COMMISSION
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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of

1998 Annual Access Tariff Filings

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CC Docket No. 98-104

MCI WORLDCOM COMMENTS ON SBC DIRECT CASE

MCI WorldCom, Inc. (MCI WorldCom) hereby submits its comments on the Direct Case filed by Southwestern Bell Telephone and Nevada Bell (SBC) in the above captioned docket. Contrary to SBC's assertion in its Direct Case, the issues listed in the Designation Order are not moot. SWBT has not corrected the PICC rate inputs on its CAP-1 form and, as a result, continues to overstate the common line "Maximum Revenue to be Recovered" figure.

In the Designation Order, the Bureau tentatively concluded that "SWBT and Nevada Bell have failed to adjust their revenue inputs due to a change in their primary and non-primary residential line counts."¹ In Transmittal No. 2715, the last SWBT annual access filing revision filed before the issuance of the Designation Order, SWBT had used \$5.00 as the "Maximum Non-primary EUCL rate at last PCI update" input and \$1.50 as the "Maximum PICC rate (NonPrimary Res & BRI ISDN)" input on the CAP-1 form. These inputs were incorrect because they failed to recognize that a significant number of SWBT

¹In the Matter of 1998 Annual Access Tariff Filings, Memorandum Opinion and Order, CC Docket No. 98-104, rel. July 29, 1998, at ¶20.

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lines now classified as non-primary were, at the time of the last PCI update, classified as primary and thus subject to the lower primary line rate caps. As the Bureau discussed in the Designation Order, “[t]he relevant rate inputs must be recalculated using a weighted average of the increased non-primary lines and decreased primary lines.”²

SBC believes that the issues raised in the Designation Order are moot as a result of revisions it made in SWBT Transmittal No. 2719, filed on August 13, 1998, after the issuance of the Designation Order.³ In Transmittal No. 2719, SWBT corrected the “Maximum Non-primary EUCL rate at last PCI update” input, replacing the \$5.00 figure used in Transmittal No. 2715 with a weighted average EUCL rate.

However, as MCI and AT&T demonstrated in their petitions to suspend and investigate SWBT Transmittal No. 2719, correction of the EUCL input is, by itself, insufficient.⁴ Because SWBT continues to use the incorrect \$1.50 PICC input, the maximum allowable common line revenue figure shown on SWBT’s CAP-1 form is still overstated by \$4.3 million.⁵

²Id.

³SBC Direct Case at 1.

⁴SWBT Tariff F.C.C. No. 73, Transmittal No. 2719, MCI Petition to Suspend and Investigate, filed August 20, 1998.

⁵ At line 600 of the CAP-1 form for Transmittal No. 2708, filed prior to the reclassification of lines, SWBT showed common line “Maximum Revenue at last PCI update” of only \$1,039,500,263. Now, in Transmittal No. 2719, SWBT shows common line “Maximum Revenue at last PCI update” of \$1,043,928,521. The reclassification of lines should not have increased the maximum revenue at last PCI update.

Applying the PCI change shown on line 1910 of the Transmittal No. 2719 CAP-1 form, 0.9722, to the Transmittal No. 2708 “Maximum Revenue at last PCI update” figure of \$1,039,500,263 yields “Maximum Revenue to be Recovered” of \$1,010,602,156. The

In its reply to the MCI and AT&T petitions to suspend and investigate Transmittal No. 2719, incorporated by reference in SBC's Direct Case, SBC argues that it should not be required to revise the PICC input. Indeed, it contends that it "[i]t was in fact inappropriate for SWBT to use any weighted average rates as inputs to the Tariff Review Plan (TRP)."⁶ SBC argues that the difference between the nonprimary line count included with SWBT's original annual access filing and the nonprimary line count included with Transmittal No. 2715 was not a "reclassification" but a "correction."⁷ It argues that no adjustment of the EUCL and PICC inputs to the CAP-1 form is required because the "corrected" nonprimary line count reflects only normal line growth, not a reclassification of lines.

SBC's key argument -- that the increased nonprimary line count filed with Transmittal No. 2719 is simply a correction, and not a reclassification -- is refuted by its own statements in SWBT Transmittal No. 2719's D&J. First, SWBT stated that "the Commission designated for investigation the common line revenues associated with the reclassification of residential lines from primary to nonprimary."⁸ Then, SWBT went on to state that "SWBT had reclassified additional residential lines from primary to nonprimary, . . .

..

"Maximum Revenue to be Recovered" figure shown on line 1920 of the Transmittal No. 2719 CAP-1 form is \$4.3 million higher -- \$1,014,924,871.

⁶SBC Reply Comments at 3.

⁷Id. at 2.

⁸SWBT Transmittal No. 2719, D&J at 1 (emphasis added).

⁹Id. (emphasis added).

There is thus no merit to SBC's argument that the change in the nonprimary line count reflects normal line growth. The FCC staff-suggested methodology that SBC has used to correct the EUCL input accurately distinguishes between the change in the nonprimary line count due to normal line growth and the change in the nonprimary line count due to SWBT's new way of counting nonprimary lines. The staff's methodology develops the weighted average input rate by comparing the nonprimary line ratio filed in Transmittal No. 2708 with the nonprimary line ratio filed in Transmittal No. 2715. As SBC admits, the nonprimary line count filed with Transmittal No. 2708 was developed using the same methodology used to count nonprimary lines for SWBT's January 1, 1998 access reform filing.¹⁰ Thus, the Transmittal No. 2708 nonprimary line count thus reflects the effects of line growth alone. Any difference between the Transmittal No. 2708 nonprimary line percentage and the higher Transmittal No. 2715 nonprimary line percentages must represent the effects of SWBT's revised approach to counting nonprimary lines.

There is certainly no basis for adjusting the EUCL input but not the PICC input. At the last PCI update, both the EUCL and PICC rates were computed using the same methodology for counting nonprimary lines. Thus, in developing the new rate caps, both the EUCL and PICC rates must be adjusted to reflect any change in the methodology for counting nonprimary lines. Continued use of the \$1.50 nonprimary line PICC input fails to recognize that many SBC lines now classified as non-primary were, prior to their reclassification, classified as primary and thus subject to the lower \$0.53 primary line PICC.

¹⁰SBC Reply at 2 ("To determine line counts for SWBT's 1998 Annual Filing, the same methodology [as used in the original access charge reform filing] was applied to 1997 base year demand.")

As MCI discussed in its petition to suspend and investigate Transmittal No. 2719, SWBT's correction of the EUCL inputs has eliminated its CCL rate, reduced the common line component of the PICC, and reduced the capped originating per-minute TIC.¹¹ However, because SWBT's PICC inputs are still misstated, and SWBT's maximum allowable common line figure is inflated, SWBT continues to overstate the common line component of the PICC. In addition, SWBT's originating per-minute TIC rate is still overstated -- because the common line component of the PICC is overstated, too much TIC revenue is recovered through originating per-minute rates.

The Commission should require SWBT to revise the PICC inputs to its CAP-1 form, revise the PICC and TIC rate caps, and refund PICC and TIC overcharges to its access customers.

Respectfully submitted,
MCI WORLDCOM, INC.



Alan Buzacott
Regulatory Analyst
1801 Pennsylvania Ave., NW
Washington, DC 20006
(202) 887-3204

September 17, 1998

¹¹Compare CAP-1 line 2670, col. b; line 2230, col. b; line 2690, col. c; and 2710 col. c for Transmittals No. 2715 and 2719.

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on September 17, 1998.



Alan Buzacott
Regulatory Analyst
1801 Pennsylvania Ave. NW
Washington, D.C. 20006
(202) 887-3204

CERTIFICATE OF SERVICE

I, Vivian I. Lee, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 17th day of September, 1998.


International Transcription Services**
1231 20th Street, N.W.,
Washington, DC 20036

Jane Jackson**
Chief, Competitive Pricing Division
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Competitive Pricing Division** (2 copies)
Federal Communications Commission
Room 518
1919 M Street, N.W.
Washington, D.C. 20554

Robert M. Lynch
Durward D. Dupre
Michael J. Zpevak
Thomas A. Pajda
One Bell Plaza, Room 3003
Dallas, TX 75202

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Vivian I. Lee